

*To the Secretary of State:*

Senate bill No. 22, entitled "An Act to provide for the incorporation of mutual fire insurance companies and define their powers and duties," is herewith transmitted, disapproved.

The ground of objection is, that sufficient protection is not furnished the policy holders in such companies as may be organized thereunder.

The Commissioner of Insurance is authorized by law, either in person or through an examiner, to require free access to all books and papers of any insurance company doing business in this State; and, also to revoke its permit to do business if the condition of such company should, in his judgment, justify such action. Companies organized under the bill, should it become law, would be exempt from the exercise of such authority by the Commissioner.

Again, Sections 5 and 6 provide for the establishment of a guarantee fund of not less than \$50,000, divided into certificates of \$50 each, and require that only ten per cent. of such certificates shall be paid in cash,—the holders of these certificates, however, to be entitled to three per cent. semi-annual dividend. It will readily be perceived that the unpaid portion, that is, ninety per cent. of these certificates, representing the guarantee reserve fund, would be valueless in securing the payment of claims, unless the holders of such certificates should be financially responsible. These sections also provide, that the holders of each of these certificates of \$50 shall be entitled to one vote for every such certificate, thereby creating one thousand votes for controlling the management of the company. True it is, that the holders of insurance contracts would be entitled to one vote each without regard to the amount of insurance carried, but this small share in the management of the company would not afford sufficient protection to the policy holders.

Finally, no penalty is provided for the violation of any of the requirements imposed upon such companies, and in this failure to provide proper penalties for such violations the policy holder is subjected to additional danger.

JOSEPH D. SAYERS,  
Governor.

April 29, 1901.